

RECORDATION NO. 24461 FILED

MAY 20 '03

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ALVORD AND ALVORD  
ATTORNEYS AT LAW  
1050 SEVENTEENTH STREET, N.W.  
SUITE 301  
WASHINGTON, D.C.  
20036  
(202) 393-2266  
FAX (202) 393-2156  
E-MAIL [alvordlaw@aol.com](mailto:alvordlaw@aol.com)

SURFACE TRANSPORTATION BOARD

ELIAS C. ALVORD (1942)  
ELLSWORTH C. ALVORD (1964)

OF COUNSEL  
URBAN A. LESTER

May 20, 2003

Mr. Vernon A. Williams  
Secretary  
Surface Transportation Board  
Washington, D.C. 20423

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of a Security Agreement, dated as of May 15, 2003, a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Borrower: Pioneer Railroad Equipment  
Co., Ltd.  
1318 South Johanson Road  
Peoria, IL 61607

Secured Party: Key Equipment Finance  
66 South Pearl Street  
Albany, NY 12203

A description of the railroad equipment covered by the enclosed document is:

298 flatcars, covered hoppers and boxcars bearing ALAB reporting marks and road numbers set forth in the schedule attached to the Security Agreement.

Mr. Vernon A. Williams  
May 20, 2003  
Page Two

A short summary of the document to appear in the index follows:

Security Agreement

Also enclosed is a check in the amount of \$30.00 payable to the order of the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Alvord', with a stylized flourish at the end.

Robert W. Alvord

RWA/anr  
Enclosures

RECORDATION NO.

24461

FILED

MAY 20 03

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C#: 57723

L#: 57724

Ls#: 8800022721



SURFACE TRANSPORTATION BOARD

## Security Agreement

THIS SECURITY AGREEMENT (this "Agreement" or "Security Agreement") dated as of May 15, 2003, is made by and between PIONEER RAILROAD EQUIPMENT CO., LTD, an Iowa corporation having its chief executive office at 1318 South Johanson Road, Peoria, Illinois 61607 (the "Borrower"), and Key Equipment Finance, a Division of Key Corporate Capital Inc. and assigns, having an office at 66 South Pearl Street, Post Office Box 1865, Albany, NY 12207-1865 ("KEF" or "Lender").

## WITNESSETH:

1. **Grant of Security Interest in the Equipment.** In consideration of one or more loans, advances or other financial accommodations at any time before, at or after the date hereof, made or extended by KEF to or for the account of the Borrower, directly or indirectly, as principal, guarantor or otherwise and to secure the prompt payment and performance in full when due, whether by lapse of time, acceleration or otherwise, of the Secured Obligations, the Borrower hereby pledges, assigns, transfers hypothecates to KEF and grants to KEF a security interest in, and acknowledges and agrees that this Agreement shall create a continuing security interest in, all of Borrower's right, title and interest in and to the Collateral.

The Secured Obligations of the Borrower are absolute, irrevocable and unconditional under any and all circumstances whatsoever and shall not be subject to any right of set-off, counterclaim, deduction, defense or other right which the Borrower may have for any reason against any vendor, supplier, manufacturer, KEF or any other party. All obligations of Borrower hereunder shall survive the expiration, cancellation or other termination of this Agreement.

2. **Definitions.** Unless the context otherwise requires, as used in this Agreement, the following terms shall have the respective meanings indicated below and shall be equally applicable to both the singular and the plural forms thereof:

"**Alteration**" shall have the meaning specified in Section 6 hereof.

"**Applicable Law**" shall mean all applicable Federal, state, local and foreign laws, ordinances, judgments, decrees, injunctions, writs, rules, regulations, orders, licenses and permits of any Governmental Authority.

"**Authorized Signer**" shall mean any officer of Borrower, set forth on an incumbency certificate (in form and substance satisfactory to KEF) delivered by Borrower to KEF, who is authorized and empowered to execute the Loan Documents.

"**Certificate of Acceptance**" shall mean a certificate of acceptance, in form and substance satisfactory to KEF, executed and delivered by Borrower in accordance with Section 3 hereof.

"**Collateral**" shall mean the Equipment and any and all substitutions, replacements or exchanges therefor, and any and all proceeds (both cash and non-cash) receivable or received from the sale, lease, license, collection, use, exchange or other disposition of the Collateral, including insurance proceeds, thereof (including, without limitation, claims of the Borrower against third parties for Loss or Damage to any such collateral).

"**Collateral Schedule**" shall mean each collateral schedule now or hereafter attached hereto and made a part hereof, in substantially the form of Schedule 1 hereto.

"**Default**" shall mean any event or condition which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

"**Default Rate**" shall mean an annual interest rate equal to the lesser of 18% or the maximum interest rate permitted by Applicable Law.

"**Equipment**" shall mean an item or items of personal property which are described on the Collateral Schedule, together with all replacement parts, additions and accessories incorporated therein or affixed thereto including, without limitation, any software that is a component or integral part of, or is included or used in connection with, any Item of Equipment, but with respect to such software, only to the extent of Borrower's interest therein, if any.

"**Equipment Location**" shall mean the location of the Equipment, as set forth on Schedule 1, or such other location (approved in writing by KEF) as Borrower shall from time to time specify in writing.

"**Event of Default**" shall have the meaning specified in Section 16 hereof.

"**GAAP**" shall have the meaning specified in Section 22(g) hereof.

"**Governmental Action**" shall mean all authorizations, consents, approvals, waivers, filings and declarations of any Governmental Authority, including, without limitation, those environmental and operating permits required for the ownership, lease, use and operation of the Equipment.

"**Governmental Authority**" shall mean any foreign, Federal, state, county, municipal or other governmental authority, agency, board or court.

"**Guarantor**" shall mean any guarantor of the Secured Obligations.

"**Installment(s)**" shall mean the periodic payments due to repay the Note, and, where the context hereof requires, all such additional amounts as may from time to time be payable under any provision of the Loan Documents.

"**Item of Equipment**" shall mean each item of the Equipment.

"**Liability**" shall have the meaning set forth in Section 18 hereof.

"**Loan Documents**" shall mean, collectively, this Agreement, the Note, the Railcar Addendum, and all other documents prepared by KEF and now or hereafter executed in connection therewith.

"**Lien**" shall mean all mortgages, pledges, security interests, liens, encumbrances, claims or other charges of any kind whatsoever, except the security interest of KEF created by this Agreement.

"**Loss or Damage**" shall mean any loss, theft, destruction, disappearance or any condemnation, expropriation or requisition of or damage to any Item of Equipment.

"**Note**" shall mean that certain Promissory Note in the original principal amount of \$1,134,632.32 executed in connection herewith, together with any extensions, modifications, renewals, refinancings or other restructurings thereof.

"**Railcar Addendum**" means the Addendum to Security Agreement dated May 15, 2003.

"**Secured Obligations**" means all of the following obligations of Borrower, whether direct or indirect, absolute or contingent, matured or unmatured, originally contracted with KEF or another party, and now or hereafter owing to or acquired in any manner partially or totally by KEF or in which KEF may have acquired a participation, contracted by Borrower alone or jointly or severally: (a) any and all indebtedness, obligations, liabilities, contracts, indentures, agreements, warranties, covenants, guaranties, representations, provisions, terms, and conditions of whatever kind, now existing or hereafter arising, and however evidenced, that are now or hereafter owed, incurred or executed by Borrower to, in favor of, or with KEF (including, without limitation, those as are set forth or contained in, referred to, evidenced by, or executed with reference to the Loan Documents, any letter of credit agreements, advance agreements, indemnity agreements, guaranties, lines of credit, mortgage deeds, security agreements, assignments, pledge agreements, hypothecation agreements, instruments, and acceptance financing agreements), and including any partial or total extension, restatement, renewal, amendment, and substitution thereof or therefor; (b) any and all claims of whatever kind of KEF against Borrower, now existing or hereafter

arising, including, without limitation, any arising out of or in any way connected with warranties made by Borrower to KEF in connection with any instrument purchased by KEF; and (c) any and all of KEF's fees, costs and expenses related to the foregoing.

"Supplier" shall mean the manufacturer or the vendor of the Equipment, as set forth on each Collateral Schedule.

"Term" shall mean the term of the Note.

"UCC" shall have the meaning set forth in Section 16(b)(2) hereof. Where applicable and except as otherwise defined herein, terms used in this Agreement shall have the meaning assigned to them in the UCC.

"Upgrade" shall have the meaning specified in Section 8 hereof.

3. **Delivery and Acceptance.** Concurrently with execution of this Agreement, Borrower shall execute and deliver to KEF a Certificate of Acceptance for the Equipment described on the Collateral Schedule. **KEF SHALL HAVE NO OBLIGATION TO ADVANCE ANY FUNDS TO BORROWER UNLESS AND UNTIL KEF SHALL HAVE RECEIVED A CERTIFICATE OF ACCEPTANCE RELATING TO THE EQUIPMENT EXECUTED BY BORROWER.** Such Certificate of Acceptance shall constitute Borrower's acknowledgment that such Equipment (a) was received by Borrower, (b) is satisfactory to Borrower in all respects, (c) is suitable for Borrower's purposes, (d) is in good order, repair and condition, (e) has been installed and operates properly, and (f) is subject to all of the terms and conditions of the Loan Documents. Borrower's execution and delivery of a Certificate of Acceptance shall be conclusive evidence as between KEF and Borrower that the Items of Equipment described therein are in all of the foregoing respects satisfactory to Borrower, and Borrower shall not assert any claim of any nature whatsoever against KEF based on any of the foregoing matters; provided, however, that nothing contained herein shall in any way bar, reduce or defeat any claim that Borrower may have against the Supplier or any other person (other than KEF).

4. **Payments.** Borrower shall pay the Note on the terms set forth therein. All Installments shall be payable when due whether or not Borrower has received any additional notice that such Installments are due. All Installments shall be paid to KEF at 66 South Pearl Street, Post Office Box 1865, Albany, NY 12207-1865, or as otherwise directed by KEF in writing.

5. **Location; Inspection; Labels.** The Equipment shall be delivered to the Equipment Location and shall not be removed therefrom without KEF's prior written consent. Borrower shall maintain possession and control of the Equipment at all times. Borrower will promptly give written notice to KEF of any change in the identity or location of any Item of Equipment which might require new filings or other action to assure continued perfection of the security interest of KEF granted hereby. The Borrower owns, and will continue to own, all Equipment Locations except as otherwise indicated on Schedule 1. KEF shall have the right to enter upon the Equipment Location and inspect the Equipment at any reasonable time. At KEF's request, Borrower shall affix permanent labels evidencing KEF's interest in the Equipment in a prominent place on the Equipment and shall keep such labels in good repair and condition.

6. **Use; Alterations.** Borrower shall use the Equipment only in the course of its business for commercial purposes (and shall not permanently discontinue use of the Equipment), and in compliance with Applicable Law and the requirements of any applicable insurance policies, and only in the manner for which it was designed and intended and so as to subject it only to ordinary wear and tear. Borrower shall comply with all Applicable Law with respect to the Equipment. Borrower shall immediately notify KEF in writing of any existing or threatened investigation, claim or action by any Governmental Authority in connection with any Applicable Law or Governmental Action which could adversely affect the value of the Equipment or the perfection or priority of the security interest of KEF in the Collateral. Borrower shall not make any material alterations, additions, modifications or improvements (each, an "Alteration") to the Equipment without KEF's prior written consent; provided that Borrower, at its own expense, shall make Alterations as may be required from time to time to meet the requirements of Applicable Law or Governmental Action. All such Alterations immediately, and without further act, shall be deemed to constitute Items of Equipment and fully be subject to the security interest granted to KEF hereunder. The foregoing is subject to the Railcar Addendum. In the event that the terms of the Railcar Addendum conflicts with this Section 6, the Railcar Addendum shall control.

7. **Repairs and Maintenance.** Borrower, at Borrower's own cost and expense, shall (a) keep the Equipment in good repair, operating condition and working order and in compliance with the manufacturer's specifications and Borrower's standard practices (but with respect to the latter, in no event less than industry practices) and (b) enter into and keep in full force and effect during the Term hereof a maintenance agreement with the manufacturer of the Equipment, or a manufacturer-approved maintenance organization, to maintain, service and repair the Equipment as otherwise required herein. Upon KEF's request, Borrower shall furnish KEF with an executed copy of any such maintenance agreement. An alternate source of maintenance may be used by Borrower with KEF's prior written consent. Borrower, at its own cost and expense and within a reasonable period of time, shall replace any part of any Item of Equipment that is unfit or unavailable for use from any cause (whether or not such replacement is covered by the aforesaid maintenance agreement) with a replacement part of the same manufacture, value, remaining useful life and utility as the replaced part immediately preceding the replacement (assuming that such replaced part was in the condition required by this Agreement). Such replacement part shall be free and clear of all Liens and upon installation, attachment or incorporation in, on or into such Item of Equipment, such replacement part immediately, and without further act, shall be deemed to constitute an Item of Equipment and fully be subject to the security interest granted to KEF hereunder. If KEF repossesses the Equipment pursuant to its rights under this Agreement and at that time, in the opinion of KEF, any Item of Equipment fails to meet the standards set forth above, Borrower agrees to pay on demand all costs and expenses incurred in connection with repairing or restoring such Item of Equipment so as to meet such standards and/or assembling and delivering such Item of Equipment. The foregoing is subject to the Railcar Addendum. In the event that the terms of the Railcar Addendum conflicts with this Section 7, the Railcar Addendum shall control.

8. **Equipment Upgrades/Attachments.** In addition to the requirements of Section 6 hereof, Borrower, at its own expense, may from time to time add or install upgrades or attachments (each, an "Upgrade") to the Equipment; provided, that such Upgrades are readily removable without causing material damage to the Equipment, and do not materially adversely affect the fair market value of the Equipment. Any such Upgrades shall be owned by Borrower, shall become subject to the security interest created by this Agreement and shall be kept free and clear of all Liens so long as attached to the Equipment.

9. **Lease and Assignment.** (a) **WITHOUT KEF'S PRIOR WRITTEN CONSENT, BORROWER SHALL NOT (1) ASSIGN, TRANSFER, PLEDGE, HYPOTHECATE OR OTHERWISE DISPOSE OF, THE EQUIPMENT OR ANY INTEREST THEREIN, OR ASSIGN OR DELEGATE ITS RIGHTS OR OBLIGATIONS UNDER THE LOAN DOCUMENTS, OR (2) LEASE OR LEND THE EQUIPMENT TO, OR PERMIT THE EQUIPMENT TO BE USED BY, ANYONE OTHER THAN BORROWER, AND SUBSIDIARIES OF PIONEER RAILROAD; OR (3) USE THE EQUIPMENT OUTSIDE OF THE CONTIGUOUS FORTY-EIGHT (48) STATES.**

(b) KEF, at any time with or without notice to Borrower, may sell, transfer, grant participations in, assign and/or grant a security interest in any or all of KEF's right, title and interest in and to the Loan Documents, or in KEF's security interest in any Item of Equipment. In any such event, any such purchaser, transferee, assignee or secured party shall have and may exercise all of KEF's rights hereunder or thereunder, and **BORROWER SHALL NOT ASSERT AGAINST ANY SUCH PURCHASER, TRANSFeree, ASSIGNEE OR SECURED PARTY ANY DEFENSE, COUNTERCLAIM OR OFFSET THAT BORROWER MAY HAVE AGAINST KEF.** Borrower agrees that upon written notice to Borrower of any such sale, transfer, assignment and/or security interest, Borrower shall acknowledge receipt thereof in writing and shall comply with the reasonable directions and demands of such purchaser, transferee, assignee or secured party.

(c) Subject to the foregoing, all covenants and agreements contained herein shall be binding upon, and inure to the benefit of, KEF and its successors and permitted assigns and Borrower and its successors and permitted assigns.

10. **Loss of or Damage to Equipment.** (a) In the event of Loss or Damage to any Item of Equipment, Borrower shall immediately notify KEF of same and, at the option of KEF, as specified in a notice from KEF to Borrower, Borrower shall within thirty (30) days following such Loss or Damage: (1) place such Item of Equipment in good condition and repair, in accordance with the terms hereof; (2) replace such Item of Equipment with replacement equipment (acceptable to KEF) in as good condition and repair, and with the same or better fair market value as such replaced Item of Equipment immediately preceding the Loss or Damage (assuming that such replaced Item of Equipment was in the condition required by this Agreement), which replacement equipment shall immediately, and without further act, be deemed to constitute Items of Equipment and be fully subject to this Agreement and the security interest granted to KEF as if originally pledged as Collateral hereunder and shall be free and clear of all Liens; or (3) pay to KEF any unpaid Installments and other charges due prior to the payment date specified in such notice plus an amount, with respect to an Item of Equipment, equal to the pro rata portion of the Installments attributable to such Item of Equipment under the Loan Documents after discounting such Installments to present worth as of the payment date specified in such notice on the basis of a per annum rate of discount equal to three percent (3%) from the respective dates upon which such Installments would have been paid but for the operation of this clause, together with interest on such amount at the Default Rate from the payment date specified in such notice to the date of actual payment.

(b) Upon KEF's receipt of the payment required under clause (3) above, KEF shall release its security interest in such Item of Equipment. If Borrower fails to either restore or replace the Item of Equipment pursuant to clauses (1) or (2) above, respectively, Borrower shall make the payment under clause (3) above.

11. **Insurance.** (a) Borrower, at Borrower's own cost and expense, shall maintain (1) insurance against all risks of physical loss or damage to the Equipment (which shall include theft and collision for Equipment consisting of motor vehicles, and shall not exclude loss resulting from flood or earthquake) in an amount not less than the full replacement value thereof and (2) comprehensive public liability insurance including blanket contractual liability for personal and bodily injury and property damage in an amount satisfactory to KEF, provided, however, that Borrower may self insure with respect to the insurance required in clause (1).

(b) All insurance policies required hereunder shall (1) require 30 days' prior written notice to KEF of cancellation or material change in coverage (any such cancellation or change, as applicable, not being effective until the thirtieth (30th) day after the giving of such notice); (2) name "KeyCorp and its subsidiaries and affiliated companies, including Key Equipment Finance, a Division of Key Corporate Capital Inc., their successors and assigns" as sole loss payee under the property insurance policies; (3) not require contributions from other policies held by KEF; (4) waive any right of subrogation against KEF; (5) in respect of any liability of KEF, except for the insurers' salvage rights in the event of a Loss or Damage, waive the right of such insurers to set-off, to counterclaim or to any other deduction, whether by attachment or otherwise, to the extent of any monies due KEF under such policies; (6) not require that KEF pay or be liable for any premiums with respect to such insurance covered thereby; (7) be in full force and effect throughout any geographical areas at any time traversed by any Item of Equipment; and (8) contain breach of warranty provisions providing that, in respect of the interests of KEF in such policies, the insurance shall not be invalidated by any action or inaction of Borrower or any other person (other than KEF) and shall insure KEF regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Borrower or by any other person (other than KEF). Prior to funding the Note, and thereafter not less than 15 days prior to the expiration dates of the expiring policies theretofore delivered pursuant to this Section, Borrower shall deliver to KEF a duplicate original of all policies (or in the case of blanket policies, certificates thereof issued by the insurers thereunder) for the insurance maintained pursuant to this Section.

(c) Proceeds of insurance with respect to physical loss or damage to the Equipment shall be applied, at the option of KEF, to repair or replace the Equipment or to reduce or satisfy (as applicable) the Secured Obligations.

12. **Taxes.** Borrower shall pay when due any and all taxes, fees, levies, imposts, duties, assessments and public and private charges levied or assessed on or with respect to the Equipment, on the use thereof, or on this Agreement or any of the other Loan Documents.

13. **KEF's Right to Perform for Borrower.** If Borrower fails to perform any of its obligations contained in the Loan Documents, KEF may (but shall not be obligated to) itself perform such obligations, and the amount of the reasonable costs and expenses of KEF incurred in connection with such performance, together with interest on such amount from the date paid by KEF until the date repaid by Borrower to KEF, at the Default Rate, shall be payable by Borrower to KEF upon demand. No such performance by KEF shall be deemed a waiver of any rights or remedies of KEF, or be deemed to cure the default of Borrower hereunder. All such sums and amounts so expended by KEF shall be repayable by the Borrower immediately without notice or demand, shall constitute additional Secured Obligations and shall bear interest from the date said amounts are expended at the Default Rate.

14. **Delinquent Payments; Interest.** If Borrower fails to pay any of the Installments on the date when the same becomes due, Borrower shall pay to KEF a late charge equal to five percent (5%) of such delinquent amount. Such late charge shall be payable by Borrower upon demand by KEF and shall be deemed part of the Secured Obligations. In no event shall such late charge exceed the maximum amounts permitted under Applicable Law.

15. **Personal Property; Liens; Warranty of Title.** The Borrower is, and will continue to be, the sole owner of the Equipment, free from any Lien. KEF and Borrower hereby agree that the Equipment is, and shall at all times remain, personal property notwithstanding the fact that any Item of Equipment may now be, or hereafter become, in any manner affixed or attached to real property or any improvements thereon. Borrower shall at all times keep the Equipment free and clear from all Liens, and the Borrower shall obtain and deliver to KEF (to be recorded at the Borrower's expense) from each person having a Lien on any Equipment Location waivers of any Lien which such person might have or hereafter obtain or claim with respect to the Equipment. Borrower shall (a) give KEF immediate written notice of any Lien on the Collateral, (b) promptly, at Borrower's sole cost and expense, take such action as may be necessary to discharge any such Lien, and (c) indemnify and hold KEF, on an after-tax basis, harmless from and against any loss or damage caused by any such Lien. Borrower warrants that it has good, valid and marketable title to the Equipment, and that (1) the security interest in the Collateral granted to KEF hereunder, when properly perfected by filing, shall constitute a valid and perfected first priority security interest in the Collateral and, (2) the Collateral is not subject to, and Borrower will not grant or permit to exist, any Liens or claims on or against the Collateral, whether senior, superior, junior, subordinate or equal to the security interest granted to KEF hereby, or otherwise.

16. **Events of Default; Remedies.** (a) As used herein, the term "Event of Default" shall mean any of the following events: (1) Borrower fails to pay any Installment within ten (10) days after the same shall have become due and payable; (2) Borrower or any Guarantor becomes insolvent or makes an assignment for the benefit of its creditors; (3) a receiver, trustee, conservator or liquidator of Borrower or any Guarantor or of all or a substantial part of Borrower's or such Guarantor's assets is appointed with or without the application or consent of Borrower or such Guarantor, respectively; (4) a petition is filed by or against Borrower or any Guarantor under any bankruptcy, insolvency or similar legislation; (5) Borrower or any Guarantor violates or fails to perform any provision of either the Loan Documents or any other loan, lease or credit agreement or any acquisition or purchase agreement with KEF or any other party; (6) Borrower violates or fails to perform any covenant or representation made by Borrower in the Loan Documents; (7) any representation or warranty made herein or in any of the Loan Documents, certificates, financial statements or other statements furnished to KEF (or

KEF's parent, subsidiaries or affiliates) shall prove to be false or misleading in any material respect as of the date on which the same was made; (8) Borrower makes a bulk transfer of furniture, fixtures or other equipment or inventory; (9) there is a material adverse change in Borrower's or any Guarantor's financial condition; (10) Borrower merges or consolidates with any other corporation or entity, or sells, leases or disposes of all or substantially all of its assets without the prior written consent of KEF; (11) a change in control occurs in Borrower or any Guarantor; (12) the death or dissolution of Borrower or any Guarantor; (13) any of the liens created or granted hereby, or intended to be granted or created hereby, to KEF shall fail to be valid, first priority perfected liens subject to no prior or equal lien; or (14) an additional Lien attaches to the Equipment or the Equipment becomes subject to risk of seizure or forfeiture.

(b) (1) Upon the occurrence of an Event of Default, KEF, at its option, may declare any or all of the Secured Obligations, including, without limitation, the Note, to be immediately due and payable, without demand or notice to Borrower or any Guarantor. The obligations and liabilities accelerated thereby shall bear interest (both before and after any judgment) until paid in full at the Default Rate. Should there occur a Default and if a voluntary or involuntary petition under the United States Bankruptcy Code is filed by or against Borrower while such Default remains uncured, the Secured Obligations automatically shall be accelerated and due and payable and interest thereon at the Default Rate automatically shall apply as of the date of the first occurrence of the Default, without any notice, demand or action of any type on the part of KEF (including any action evidencing the acceleration or imposition of the Default Rate). The fact that KEF has, prior to the filing of the voluntary or involuntary petition under the United States Bankruptcy Code, acted in a manner which is inconsistent with the acceleration and imposition of the Default Rate shall not constitute a waiver of this provision or estop KEF from asserting or enforcing KEF's rights hereunder.

(2) Furthermore, upon the occurrence of an Event of Default, KEF shall have, in addition to the rights and remedies provided herein, in the other Loan Documents or by law, the rights and remedies of a secured party under the Uniform Commercial Code under the laws of the State of New York (the "UCC") (regardless of whether the UCC is the law of the jurisdiction where the rights and remedies are asserted and regardless of whether the UCC applies to the affected Collateral), and further KEF may do any one or more of the following as KEF in its sole discretion may elect, with or without judicial process or the aid and assistance of others: (a) enter and remain on any premises on which any of the Equipment may be located and, without resistance or interference by the Borrower, without liability to KEF by reason of such entry or taking possession, take possession of the Equipment, (b) prepare for sale and sell or otherwise dispose of any Equipment on any such premises, (c) require the Borrower to assemble and make available to KEF at Borrower's expense any Equipment at any place and time designated by KEF, (d) remove any Equipment from any such premises for the purpose of effecting sale or other disposition thereof, (e) without demand and without advertisement, notice, hearing or process of law, all of which the Borrower hereby waives, at any place and time or times, sell and deliver any or all Equipment held by or for it at public or private sale, by one or more contracts, in one or more parcels, for cash, upon credit or otherwise, at such prices and upon such terms as KEF deems advisable, in its sole discretion, or (f) lease all or any portion of the Equipment on such terms and conditions as KEF in its sole discretion may determine. In addition to all other sums due KEF hereunder, the Borrower shall pay KEF all reasonable costs and expenses incurred by KEF, including reasonable attorneys' fees and court costs, in obtaining or liquidating the Collateral, in enforcing payment of Secured Obligations, or in the prosecution or defense of any action or proceeding by or against KEF or the Borrower concerning any matter arising out of or connected with the Loan Documents, the Collateral or the Secured Obligations, including without limitation any of the foregoing arising in, arising under or related to a case under the United States Bankruptcy Code.

(3) **Borrower's waivers regarding disposition of the equipment. IF AN EVENT OF DEFAULT OCCURS, BORROWER HEREBY WAIVES ANY DEFENSES, RIGHTS, OFFSETS OR CLAIMS AGAINST KEF ARISING OUT OF THE REPOSSESSION, RETENTION, SALE, MANNER OR METHOD OF SALE OR DISPOSITION OF ANY ITEMS OF EQUIPMENT. THE BORROWER AGREES THAT ANY REQUIREMENT OF REASONABLE NOTICE SHALL BE MET IF SUCH NOTICE IS PERSONALLY SERVED ON OR MAILED, POSTAGE PREPAID, TO THE BORROWER IN ACCORDANCE WITH THE NOTICE PROVISIONS HEREOF AT LEAST 10 DAYS BEFORE THE TIME OF SALE OR OTHER EVENT GIVING RISE TO THE REQUIREMENT OF SUCH NOTICE. KEF SHALL NOT BE OBLIGATED TO MAKE ANY SALE OR OTHER DISPOSITION OF THE EQUIPMENT REGARDLESS OF NOTICE HAVING BEEN GIVEN. KEF MAY BE THE PURCHASER AT ANY SUCH SALE. THE BORROWER HEREBY WAIVES ALL OF ITS RIGHTS OF REDEMPTION FROM ANY SUCH SALE. KEF MAY POSTPONE OR CAUSE THE POSTPONEMENT OF THE SALE OF ALL OR ANY PORTION OF THE EQUIPMENT BY ANNOUNCEMENT AT THE TIME AND PLACE OF SUCH SALE, AND SUCH SALE MAY, WITHOUT FURTHER NOTICE, BE MADE AT THE TIME AND PLACE TO WHICH THE SALE WAS SCHEDULED. NONE OF KEF'S RIGHTS OR REMEDIES HEREUNDER ARE INTENDED TO BE EXCLUSIVE OF, BUT EACH SHALL BE CUMULATIVE AND IN ADDITION TO, ANY OTHER RIGHT OR REMEDY REFERRED TO HEREUNDER OR OTHERWISE AVAILABLE TO KEF OR ITS ASSIGNS AT LAW OR IN EQUITY, AND MAY BE PURSUED SINGLY, SUCCESSIVELY OR CONCURRENTLY AT THE SOLE DISCRETION OF LENDER AND MAY BE EXERCISED AS OFTEN AS OCCASION THEREFOR SHALL OCCUR. THE FAILURE TO EXERCISE, OR ANY DELAY IN THE EXERCISE OF, ANY RIGHT OR REMEDY SHALL IN NO EVENT BE CONSTRUED AS A WAIVER, RELEASE OR EXHAUSTION OF ANY SUCH REMEDIES. NO EXPRESS OR IMPLIED WAIVER BY KEF OF ANY EVENT OF DEFAULT SHALL CONSTITUTE A WAIVER OF ANY OTHER EVENT OF DEFAULT OR A WAIVER OF ANY OF KEF'S RIGHTS UPON THE REOCCURRENCE OF ANY SUCH EVENT OF DEFAULT.**

(c) The Borrower hereby authorizes KEF, upon the occurrence and during the continuation of any Event of Default hereunder, at KEF's option to adjust, compromise and settle any losses under any insurance afforded, and the Borrower does hereby irrevocably constitute KEF and each of its designees, as its attorneys-in-fact, with full power and authority, upon the occurrence and during the continuation of any Event of Default hereunder, to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Equipment or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance; but unless or until KEF elects to adjust, compromise or settle losses as aforesaid, such insurance proceeds shall be subject to the lien and security interest of KEF hereunder.

(d) Upon the occurrence, and during the continuance, of an Event of Default hereunder, any payments in respect of the Secured Obligations and any proceeds of the Collateral, when received by KEF in cash or its equivalent, will be applied first to costs of collection and, thereafter, in reduction of the Secured Obligations in such order and manner as KEF may direct in its sole discretion, and the Borrower irrevocably waives the right to direct the application of such payments and proceeds and acknowledges and agrees that KEF shall have the continuing and exclusive right to apply any and all such payments and proceeds in KEF's sole discretion, notwithstanding any entry to the contrary upon any of its books and records. The Borrower shall remain liable to KEF for any deficiency. Any surplus remaining after the full payment and satisfaction of the Secured Obligations shall be returned to the Borrower or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(e) To the extent that any of the Secured Obligations are now or hereafter secured by property other than the Collateral, or by a guarantee, endorsement or property of any other person, then KEF also shall have the right to proceed against such other property, guarantee or endorsement upon the occurrence of a default hereunder, and KEF shall have the right, in its sole discretion, to determine which rights, liens, security interests or remedies KEF shall at any time pursue, relinquish, subordinate or modify, without in any way affecting the Secured Obligations or any of KEF's rights under this Agreement.

17. **Notices.** All notices and other communications hereunder shall be in writing and shall be transmitted by hand, overnight courier or certified mail (return receipt requested), postage prepaid. Such notices and other communications shall be addressed to the respective party at the address set

forth above or at such other address as any party may from time to time designate by notice duly given in accordance with this Section. Such notices and other communications shall be effective upon the earlier of receipt or three (3) days after mailing if mailed in accordance with the terms of this section.

18. **General Indemnification.** Borrower shall pay, and shall indemnify and hold KEF and its directors, officers, employees, counsel, agents and advisors harmless on an after-tax basis from and against, any and all liabilities, causes of action, claims, suits, penalties, damages, losses, costs or expenses (including attorneys' fees), obligations, liabilities, demands and judgments, and Liens, of any nature whatsoever (collectively, a "Liability") arising out of or in any way related to: (a) the Loan Documents, (b) a failure to comply fully with Applicable Law and (c) Borrower's failure to perform any covenant, or breach of any representation or warranty under the Loan Documents; provided, that the foregoing indemnity shall not extend to the Liabilities to the extent resulting solely from the gross negligence or willful misconduct of KEF. Borrower shall promptly deliver to KEF copies of any documents received from the United States Environmental Protection Agency or to any state, county or municipal environmental or health agency concerning the Equipment or its operation and copies of any documents submitted by Borrower or any of its subsidiaries to the United States Environmental Protection Agency or any state, county or municipal environmental or health agency concerning the Equipment or its operation. Borrower further agrees to indemnify KEF against and hold it harmless from all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments or other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of the Loan Documents.

19. **Severability; Captions.** Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under Applicable Law. If, however, any provision of this Agreement or any of the Loan Documents shall be prohibited or unenforceable in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such law, or if for any reason it is not deemed so modified, it shall be ineffective only to the extent of such prohibition or unenforceability without affecting the remaining provisions hereof, and any such prohibition or unenforceability shall not invalidate or render unenforceable such provision in any other jurisdiction. Captions are intended for convenience or reference only, and shall not be construed to define, limit or describe the scope or intent of any provisions hereof.

20. **Financial and Other Data.** During the Term hereof, Borrower shall furnish KEF (a) as soon as available, and in any event within 120 days after the last day of each fiscal year, financial statements of Borrower and each Guarantor and (b) from time to time as KEF may reasonably request, other financial reports, information or data (including federal and state income tax returns) and quarterly or interim financial statements of Borrower and each Guarantor. All such information shall be audited (or if audited information is not available, compiled or reviewed) by an independent certified public accountant.

21. **Perfection of Security Interest.**

(a) Borrower will cause this Agreement, and any assignments hereof and any amendments or supplements hereto or thereto, to be filed and recorded with the Surface Transportation Board in accordance with 49 U.S.C. § 11301 (the "Act"). Borrower will from time to time do and perform any other act and will execute, acknowledge, deliver, file, register, deposit and record any and all further instruments required by law or reasonably requested by KEF for the purposes specified in the immediately preceding sentence of this Section 21(a). Borrower will promptly furnish to KEF certificates or other evidence satisfactory to KEF of any such filing, registering, depositing or recording. In addition, Borrower will upon request by KEF mark any or all items of Equipment with such legend and in such manner as KEF may require.

(b) Borrower will not, unless KEF shall otherwise consent in writing, grant, create or permit to exist any security interest in any Collateral to or in favor of any Person other than KEF.

22. **Representations and Warranties of Borrower.** Borrower represents and warrants that: (a) Borrower is a corporation duly organized and validly existing in good standing under the laws of the state of its incorporation; (b) the execution, delivery and performance of this Agreement and all related instruments and documents (1) have been duly authorized by all necessary corporate action on the part of Borrower, (2) do not require the approval of any stockholder, partner, trustee, or holder of any obligations of Borrower except such as have been duly obtained, and (3) do not and will not contravene any law, governmental rule, regulation or order now binding on Borrower, or the charter or by-laws of Borrower, or contravene the provisions of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property of Borrower under, any indenture, mortgage, contract or other agreement to which Borrower is a party or by which it or its property is bound; (c) the Loan Documents, when entered into, will constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with the terms thereof; (d) there are no pending actions or proceedings to which Borrower is a party, and there are no other pending or threatened actions or proceedings of which Borrower has knowledge, before any court, arbitrator or administrative agency, which, either individually or in the aggregate, would adversely affect the financial condition of Borrower, or the ability of Borrower to perform its obligations under the Loan Documents; (e) Borrower is not in default under any obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any installments under any lease agreement which, either individually or in the aggregate, would have the same such effect; (f) under the laws of the state(s) in which the Equipment is to be located, the Equipment consists solely of personal property and not fixtures; (g) the financial statements of Borrower (copies of which have been furnished to KEF) have been prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"), and fairly present Borrower's financial condition and the results of its operations as of the date of and for the period covered by such statements, and since the date of such statements there has been no material adverse change in such conditions or operations; (h) the address stated above is the chief place of business and chief executive office, or in the case of individuals, the primary residence, of Borrower; (i) Borrower does not conduct business under a trade, assumed or fictitious name, except as set forth in Schedule 1; (j) this Agreement creates a valid first priority security interest in the Collateral securing payment and performance of the Secured Obligations and all filings and other action necessary to perfect such security interest have been taken or shall be promptly taken; (k) Borrower has filed or has caused to have been filed all Federal, state and local tax returns which, to the knowledge of Borrower, are required to be filed, and has paid or caused to have been paid all taxes as shown on such returns or on any assessment received by it, to the extent that such taxes have become due, unless and to the extent only that such taxes, assessments and governmental charges are currently contested in good faith and by appropriate proceedings by Borrower and adequate reserves therefor have been established as required under GAAP and, to the extent Borrower believes it advisable to do so, Borrower has set up reserves which are believed by Borrower to be adequate for the payment of additional taxes for years which have not been audited by the respective tax authorities; (l) except as previously disclosed in writing to KEF, neither Borrower nor any of its officers or directors (if a corporation), partners (if a partnership) or members or managers (if a limited liability corporation) has, directly or indirectly, any financial interest in the Supplier; and (m) Borrower is not in violation of any Applicable Law, the violation of which would have a material adverse effect on the conduct of its business, and Borrower has obtained any and all licenses, permits, franchises or other governmental authorizations necessary for the ownership of its properties and the conduct of its business; and (n) none of the proceeds of the loan made by KEF will be used, directly or indirectly, by Borrower for the purpose of purchasing or carrying, or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any "margin stock" within the meaning of Regulation U (12 CFR Part 221), of the Board of Governors of the Federal Reserve System (herein called "margin stock") or for any other purpose which might make the transactions contemplated herein a "purpose credit" within the meaning of Regulation U, or cause this Agreement to violate any other regulation of the Board of Governors of the Federal Reserve System or the Securities Exchange Act of 1934 or the Small Business Investment Act of 1958, as amended, or any rules or regulations promulgated under any of such statutes.

23. **Further Covenants of Borrower.** The Borrower further covenants and agrees that it will not change its legal name, be a party to a merger, consolidation or other change in structure or use a trade name in its business without at least 30 days' prior written notice to KEF; and shall execute and deliver to KEF (to be filed at Borrower's expense) all UCC statements as may be required by KEF in connection with such event.

24. **Miscellaneous.** Time is of the essence with respect to this Agreement. **ANY FAILURE OF KEF TO REQUIRE STRICT PERFORMANCE BY BORROWER OR ANY WAIVER BY KEF OF ANY PROVISION HEREIN SHALL NOT BE CONSTRUED AS A CONSENT OR WAIVER OF ANY PROVISION OF THIS AGREEMENT.** None of the Loan Documents may be amended except by a writing signed by KEF and Borrower. This Agreement will be binding upon KEF only if executed by a duly authorized officer or representative of KEF at KEF's principal place of business as set forth above. This Agreement and all other Loan Documents shall be executed on Borrower's behalf by Authorized Signers of Borrower. The Borrower hereby waives presentment, notice of dishonor and protest of all instruments included in or evidencing any Secured Obligations, and all other notices and demands whatsoever (except as expressly provided herein). **THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICT OF LAWS PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE APPLICATION OF THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK.**

25. **Jury Trial Waiver.** KEF AND BORROWER HEREBY EACH WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION OR PROCEEDING TO WHICH KEF OR BORROWER MAY BE PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE, INCLUDING WITHOUT LIMITATION ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY, OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER IS MADE KNOWINGLY, WILLINGLY AND VOLUNTARILY BY KEF AND THE BORROWER WHO EACH ACKNOWLEDGE THAT NO REPRESENTATIONS HAVE BEEN MADE BY ANY INDIVIDUAL TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

26. **More than One Borrower.** If more than one person or entity executes this Agreement, each of the other Loan Documents, and all addenda or other documents executed in connection herewith or therewith, as "Borrower," the obligations of "Borrower" contained herein and therein shall be deemed joint and several and all references to "Borrower" shall apply both individually and jointly.

27. **Entire Agreement.** This Agreement, together with the other Loan Documents, collectively constitute the entire understanding or agreement between KEF and Borrower with respect to the financing of the Equipment, and there is no understanding or agreement, oral or written, which is not set forth herein or therein. This Agreement shall not be modified except by the written agreement of KEF and Borrower.

28. **Execution in Counterparts.** This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same instrument.

29. **Power of Attorney; UCC Filings.** BORROWER SHALL EXECUTE AND DELIVER TO KEF CONCURRENTLY WITH THE EXECUTION OF THIS AGREEMENT, AND AT ANY TIME FROM TIME TO TIME THEREAFTER, ALL FINANCING STATEMENTS, AMENDMENTS TO FINANCING STATEMENTS, CHATTEL MORTGAGES, ASSIGNMENTS, AND ALL OTHER INSTRUMENTS, IN FORM SATISFACTORY TO KEF, AND TAKE ALL OTHER ACTION AS KEF MAY REASONABLY REQUIRE, TO PERFECT AND CONTINUE PERFECTED, MAINTAIN THE PRIORITY OF OR PROVIDE NOTICE OF KEF'S SECURITY IN THE COLLATERAL. BORROWER HEREBY APPOINTS KEF, OR ITS ASSIGNEE, AND ANY OF KEF'S OR ASSIGNEE'S OFFICERS OR EMPLOYEES AS ITS TRUE AND LAWFUL ATTORNEY IN FACT, IRREVOCABLY AND COUPLED WITH AN INTEREST, TO EXECUTE AND FILE ON BEHALF OF BORROWER ALL UCC FINANCING STATEMENTS WHICH IN KEF'S SOLE DISCRETION ARE NECESSARY OR PROPER TO SECURE KEF'S INTEREST IN THE EQUIPMENT IN ALL APPLICABLE JURISDICTIONS. Borrower hereby ratifies, to the extent permitted by law, all that KEF shall lawfully and in good faith do or cause to be done by reason of and in compliance with this paragraph

*[Signature Page Follows]*



IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement through their Authorized Signer.

**Lender:**

KEY EQUIPMENT FINANCE, a Division of Key Corporate Capital inc.

By: [Signature]  
Name: Michael A. Wood  
Title: Regional Business Unit Manager

**Borrower:**

PIONEER RAILROAD EQUIPMENT CO., LTD

X \_\_\_\_\_  
Name:  
Title:

STATE OF NEW YORK     )  
                                      ) ss.  
COUNTY OF ALBANY     )

On this 15 day of May, 2003, before me the subscriber personally appeared Michael A. Wood, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute this instrument, acknowledged it as the Regional Business Unit Manager of KEY EQUIPMENT FINANCE, A DIVISION OF KEY CORPORATE CAPITAL INC. the corporation described in and which executed the foregoing instrument; and that s/he signed his/her name thereto by order of the Board of Directors of said corporation.

James M. Kresge  
NOTARY PUBLIC

My Commission Expires: 4/1/06

JAMES M. KRESGE  
Notary Public, State of New York  
No. 01KR505845  
Qualified in Albany County  
Commission Expires April 1, 20 06

STATE OF ILLINOIS     )  
                                      ) ss  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of May, 2003, before me the subscriber personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, acknowledged it as the \_\_\_\_\_ of PIONEER RAILROAD EQUIPMENT CO., LTD, the corporation described in and which executed the foregoing instrument; and that (s)he signed his/her name thereto by order of the Board of Directors of said corporation.

\_\_\_\_\_  
NOTARY PUBLIC

IN WITNESS WHEREOF, the parties hereto have executed this Security Agreement through their Authorized Signer.

**Lender:**

KEY EQUIPMENT FINANCE, a Division of Key Corporate Capital inc.

By: \_\_\_\_\_  
Name: Michael A. Wood  
Title: Regional Business Unit Manager

**Borrower:**

PIONEER RAILROAD EQUIPMENT CO., LTD

X *[Signature]*  
Name: J. M. Chatfield  
Title: Treasurer

STATE OF NEW YORK       )  
  ) ss.  
COUNTY OF ALBANY       )

On this \_\_\_\_ day of May, 2003, before me the subscriber personally appeared Michael A. Wood, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute this instrument, acknowledged it as the Regional Business Unit Manager of KEY EQUIPMENT FINANCE, A DIVISION OF KEY CORPORATE CAPITAL INC. the corporation described in and which executed the foregoing instrument; and that s/he signed his/her name thereto by order of the Board of Directors of said corporation.

\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: \_\_\_\_\_

STATE OF ILLINOIS       )  
  ) ss.  
COUNTY OF PEORIA       )

On this 15 day of May, 2003, before me the subscriber personally appeared J. MICHAEL CHATFIELD, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, acknowledged it as the TREASURER of PIONEER RAILROAD EQUIPMENT CO., LTD, the corporation described in and which executed the foregoing instrument; and that (s)he signed his/her name thereto by order of the Board of Directors of said corporation.

*Diane M. Roe*  
NOTARY PUBLIC



## **Addendum to Security Agreement**

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THIS ADDENDUM TO SECURITY AGREEMENT (this "Addendum") dated as of May 15, 2003, amends that certain Security Agreement dated as of May 15, 2003, between KEY EQUIPMENT FINANCE, A DIVISION OF KEY CORPORATE CAPITAL INC., as Lender, and PIONEER RAILROAD EQUIPMENT CO., LTD, as Borrower (the "Security Agreement"). Unless otherwise specified herein, all capitalized terms shall have the meanings ascribed to them in the Security Agreement.

Lender and Borrower hereby agree that the Security Agreement will be amended to add the following:

**1. Marking of Equipment.**

(a) The Borrower shall cause each Item of Equipment ("Item or Items") to be kept numbered with the identifying number set forth on the Collateral Schedule. The Borrower shall not change, or permit to be changed, the identifying number of any Item of Equipment except in accordance with a statement of new identifying numbers to be substituted therefor, and then only after (i) the Lender has been notified in writing thereof, (ii) such statement has been filed, recorded or deposited in all public offices in which this Security Agreement or memorandum thereof shall have been filed, recorded or deposited, and (iii) the Borrower shall have furnished to the Lender opinions of counsel in form and substance satisfactory to the Lender to the effect that such statement has been so filed, recorded and deposited, that such filing, recordation and deposit will protect the Lender's first priority lien and security interests in such Items of Equipment, and that no further filing, recording, deposit, giving of notice to any other Federal, state, local or foreign government or agency or other action is required to protect the lien and security interests of the Lender in such Items of Equipment.

(b) Intentionally omitted.

(c) Except as provided above, the Borrower shall not permit the name of any Person (other than the Borrower or the Lender) to be placed on any Item of Equipment as a designation that might be interpreted as a claim of an ownership interest in or lien on such Item of Equipment.

**2. Maintenance, Repairs and Operations.**

Section 7 of the Security Agreement is supplemented with the following:

**Maintenance.** Borrower at its own cost and expense, shall maintain, repair and keep each Item (1) in accordance with prudent Class I railroad industry maintenance practices in existence from time to time (2) in a manner consistent with a maintenance program of at least the caliber as Borrower maintains at the execution of the Security Agreement and ready for satisfactory commercial use and prudent railroad industry maintenance practices in existence from time to time, (3) in an undiscriminatory manner consistent with maintenance, use and repair practices used by Borrower in respect of equipment owned or leased by Borrower

*[Remainder of page intentionally omitted.]*

similar in type to such Item, (4) in accordance with maintenance requirements of insurance policies covering such Item, (5) as shall be necessary to maintain each Item in good repair and working order as specified in the Interchange Rules and in accordance with FRA Railroad Safety Standards, the Association of American Railroads, Surface Transportation Board, and all other applicable law and Governmental Actions including federal agency regulations, (6) Borrower shall use proper amounts and types of fuel, lubricant, oil corrosion protectors and coolant to meet manufacturers recommended guidelines and specifications, (7) Borrower shall replace oil filters, fuel filters and other similar items on a timely as needed basis to prevent damage, (8) Borrower shall not make any alterations, modifications or additions to the Equipment to change the nature and use from which it was employed at the date hereof, provided, however, Borrower may make additions or upgrades which improve and/or update any Item or its performance so long as same are otherwise in compliance with the terms of the Security Agreement, (9) Borrower shall not replace any component, part or system with a lesser quality replacement component, part or system. Borrower will maintain all records, logs and other materials required by any Governmental Authority having jurisdiction related to Borrower's operations. All such records, logs and materials will become subject to this Security Agreement. Borrower shall pay for all necessary permits, franchises, inspections and licenses in connection with any Item and any repair, restoration or replacement of any type relative to each Item. "Ordinary wear and tear" shall mean any damage to the Equipment which is not considered "unfair usage" pursuant to Rule 95 of the Interchange Rules. If no definition is available or applicable to the Equipment under the Interchange Rules, "ordinary wear and tear" shall have the meaning customarily given to it in the railroad industry with respect to rail cars similarly situated to the Equipment.

**3. Section 6 of the Security Agreement is supplemented with the following:**

(a) **Operation.** Borrower shall use the Equipment upon lines of railroad in the United States. Borrower shall operate the Items in a manner and for the purposes for which each was designed and only in the manner for which it was designed. Borrower shall comply in all material respects with all Applicable Law, including regulations and orders of the Department of Transportation Interstate Commerce Commission, and Surface Transportation Board. Borrower shall immediately notify Lender in writing of any existing, pending or threatened investigation, inquiry, claim or action by any Governmental Authority in connection with any Applicable Law or Governmental Action which could materially adversely affect the Equipment. Borrower shall notify Lender in writing at any time the Items are stored, whether serviceable or unserviceable, for a period in excess of ninety (90) days. Nothing in this Section shall be deemed to constitute permission by Lender to any person that acquires possession of any Item to take any action inconsistent with the terms and provisions of the Security Agreement and any of the other agreements between Lender and Borrower. The rights of any person that acquires possession of any Item pursuant to this Section shall be subject and subordinate to the rights of Lender hereunder.

(b) **Required Modifications.** In the event Applicable Law, Governmental Action or any Governmental Authority having jurisdiction over the operation, safety or use of railroad equipment requires that any Item be altered, replaced or modified, Borrower agrees to make such required modification at its own expense, provided, however, that Borrower may, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such law, regulation, requirement or rule in any reasonable manner which does not materially adversely affect the rights or interests of Lender in the Equipment or hereunder or otherwise expose Lender to criminal sanctions or relieve Borrower of the obligation to perform the Security Agreement in compliance with its provisions. Except as otherwise permitted herein, Borrower shall not make any alterations, additions, modifications or improvements to the Equipment without Lender's prior written consent.

Borrower shall not use the Equipment, or permit it to be used, for the transportation or storage of any substance which is categorized as, or required to be labeled as, poison" or "poisonous", "explosive" or "radioactive" (or any categories or labels substituted for such categories or labels as in effect on the day hereof) under 49 CFR 171 or other applicable Federal rules in effect from time to time regulating the transportation of hazardous materials.

**4. Filings: Further Assurances.**

The Security Agreement or appropriate evidence thereof shall be duly filed and recorded with the Surface Transportation Board in accordance with 49 U.S.C. 11301, and or such filing and recording officer as may be determined by Lender.

**[Signature Page Follows]**

Except as modified hereby, all of the terms, covenants and conditions of the Security Agreement shall remain in full force and effect and are in all respects hereby ratified and affirmed.


**IN WITNESS WHEREOF**, Borrower and Lender have executed this Addendum as of the date first above written.

**Lender:**

**Borrower:**

KEY EQUIPMENT FINANCE, A DIVISION OF KEY  
CORPORATE CAPITAL INC.

PIONEER RAILROAD EQUIPMENT CO., LTD

By:   
Name: Michael A. Wood  
Title: Regional Business Unit Manager

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF NEW YORK )  
 ) ss.  
COUNTY OF ALBANY )

On this 15<sup>th</sup> day of May, 2003, before me the subscriber personally appeared MICHAEL A. WOOD, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute this instrument, acknowledged it as the Regional Business Unit Manager of KEY EQUIPMENT FINANCE, A DIVISION OF KEY CORPORATE CAPITAL INC. the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the Board of Directors of said corporation.

James M. Kresge  
NOTARY PUBLIC

**JAMES M. KRESGE**  
Notary Public, State of New York  
No. 01KR505845  
Qualified in Albany County  
Commission Expires April 1, 2006

My Commission Expires:

[illegible]

On this \_\_\_\_ day of May, 2003, before me the subscriber personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that s/he was authorized to execute this instrument, acknowledged it as the \_\_\_\_\_ of PIONEER RAILROAD EQUIPMENT CO., LTD, the corporation described in and which executed the foregoing instrument; and that s/he signed his/her name thereto by order of the Board of Directors of said corporation.

NOTARY PUBLIC

My Commission Expires:



**SCHEDULE 1**  
**COLLATERAL SCHEDULE**

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**BORROWER TRADE NAMES**

None

**DESCRIPTION OF EQUIPMENT**  
See attached.



Debtor: Pioneer Rail Equipment Co., Ltd.

Secured Party: Key Equipment Finance

DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
1	ALAB	142102	FLAT	L027		3/81			
1	ALAB	142148	FLAT	L027		4/81			
1	ALAB	142193	FLAT	L027		4/81			
1	ALAB	142248	FLAT	L027		3/81			
1	ALAB	142117	FLAT	L027		3/81			
1	ALAB	142149	FLAT	L027		4/81			
1	ALAB	142194	FLAT	L027		4/81			
1	ALAB	142132	FLAT	L027		3/81			
1	ALAB	142151	FLAT	L027		4/81			
1	ALAB	142197	FLAT	L027		4/81			
1	ALAB	142138	FLAT	L027		3/81			
1	ALAB	142162	FLAT	L027		4/81			
1	ALAB	142199	FLAT	L027		4/81			
1	ALAB	142139	FLAT	L027		3/81			
1	ALAB	142171	FLAT	L027		4/81			
1	ALAB	142240	FLAT	L027		3/81			
1	ALAB	142145	FLAT	L027		4/81			
1	ALAB	142190	FLAT	L027		4/81			
1	ALAB	142245	FLAT	L027		3/81			
1	ALAB	886205	C/H	C113	4700	02/65			
1	ALAB	886553	C/H	C113	4600	11/65			
1	ALAB	888559	C/H	C113	4600	11/65			
1	ALAB	890976	C/H	C313	4600	4/65			
1	ALAB	887245	C/H	C113	4635	10/68			
1	ALAB	888045	C/H	C113	4700	7/65			
1	ALAB	886677	C/H	C113	4600	7/65			
1	ALAB	888571	C/H	C113	4600	11/65			
1	ALAB	890854	C/H	C113	4650	6/65			
1	ALAB	886283	C/H	C313	4462	1/65			
1	ALAB	888002	C/H	C113	4600	11/65			
1	ALAB	888633	C/H	C113	4600	11/65			
1	ALAB	887042	C/H	C113	4635	9/68			
1	ALAB	886305	C/H	C313	4462	1/65			
1	ALAB	888033	C/H	C113	4600	10/65			
1	ALAB	888707	C/H	C113	4600	11/65			
1	ALAB	887049	C/H	C113	4635	9/68			
1	ALAB	886853	C/H	C313	4550	8/69			
1	ALAB	888133	C/H	C113	4600	11/65			
1	ALAB	890824	C/H	C113	4600	11/65			
1	ALAB	887127	C/H	C113	4635	9/68			

Debtor: Pioneer Rail Equipment Co., Ltd.

Secured Party: Key Equipment Finance

# DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
	1 ALAB	891077	C/H	C113	4600	7/65			
	1 ALAB	888187	C/H	C113	4600	10/65			
	1 ALAB	891034	C/H	C113	4600	7/65			
	1 ALAB	887132	C/H	C113	4635	9/68			
	1 ALAB	173002	C/H	C113	4740	02/69		ALAB	9046
	1 ALAB	173054	C/H	C113	4740	02/69		ALAB	9057
	1 ALAB	173110	C/H	C113	4710	02/69		ALAB	9067
	1 ALAB	173160	C/H	C113	4740	02/69		ALAB	9076
	1 ALAB	173220	C/H	C113	4740	02/69		ALAB	9084
	1 ALAB	173302	C/H	C113	4740	02/69		ALAB	9093
	1 ALAB	173365	C/H	C113	4740	02/69		ALAB	9102
	1 ALAB	173396	C/H	C113	4740	02/69		ALAB	9109
	1 ALAB	173422	C/H	C113	4740	02/69		ALAB	9115
	1 ALAB	173491	C/H	C113	4740	02/69		ALAB	9127
	1 ALAB	173551	C/H	C113	4740	03/69		ALAB	9137
	1 ALAB	173629	C/H	C113	4740	03/69		ALAB	9148
	1 ALAB	173663	C/H	C113	4740	03/69		ALAB	9157
	1 ALAB	173714	C/H	C113	4740	03/69		ALAB	9166
	1 ALAB	173782	C/H	C113	4740	03/69		ALAB	9173
	1 ALAB	173797	C/H	C113	4740	03/69		ALAB	9180
	1 ALAB	173868	C/H	C113	4740	03/69		ALAB	9188
	1 ALAB	173031	C/H	C113	4740	02/69		ALAB	9049
	1 ALAB	173082	C/H	C113	4740	02/69		ALAB	9061
	1 ALAB	173217	C/H	C113	4740	02/69		ALAB	9083
	1 ALAB	173349	C/H	C113	4740	02/69		ALAB	9099
	1 ALAB	173482	C/H	C113	4740	02/69		ALAB	9125
	1 ALAB	173570	C/H	C113	4740	02/69		ALAB	9140
	1 ALAB	173646	C/H	C113	4740	03/69		ALAB	9150
	1 ALAB	173828	C/H	C113	4740	03/69		ALAB	9185
	1 ALAB	173007	C/H	C113	4740	02/69		ALAB	9047
	1 ALAB	173072	C/H	C113	4740	02/69		ALAB	9059
	1 ALAB	173113	C/H	C113	4740	02/69		ALAB	9068
	1 ALAB	173177	C/H	C113	4740	02/69		ALAB	9077
	1 ALAB	173247	C/H	C113	4740	02/69		ALAB	9086
	1 ALAB	173328	C/H	C113	4740	02/69		ALAB	9096
	1 ALAB	173369	C/H	C113	4740	02/69		ALAB	9103
	1 ALAB	173407	C/H	C113	4740	02/69		ALAB	9110
	1 ALAB	173434	C/H	C113	4740	02/69		ALAB	9117
	1 ALAB	173492	C/H	C113	4740	02/69		ALAB	9128
	1 ALAB	173557	C/H	C113	4740	02/69		ALAB	9138
	1 ALAB	173647	C/H	C113	4740	03/69		ALAB	9151

Debtor: Pioneer Rail Equipment Co., Ltd.  
Secured Party: Key Equipment Finance

# DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
1	ALAB	173669	C/H	C113	4740	03/69		ALAB	9158
1	ALAB	173727	C/H	C113	4740	03/69		ALAB	9167
1	ALAB	173783	C/H	C113	4740	03/69		ALAB	9174
1	ALAB	173807	C/H	C113	4740	03/69		ALAB	9181
1	ALAB	173870	C/H	C113	4740	03/69		ALAB	9189
1	ALAB	173037	C/H	C113	4740	02/69		ALAB	9051
1	ALAB	173088	C/H	C113	4740	02/69		ALAB	9063
1	ALAB	173225	C/H	C113	4740	02/69		ALAB	9085
1	ALAB	173379	C/H	C113	4740	02/69		ALAB	9105
1	ALAB	173489	C/H	C113	4740	02/69		ALAB	9126
1	ALAB	173579	C/H	C113	4740	03/69		ALAB	9141
1	ALAB	173658	C/H	C113	4740	03/69		ALAB	9155
1	ALAB	173835	C/H	C113	4740	03/69		ALAB	9186
1	ALAB	173036	C/H	C113	4740	02/69		ALAB	9050
1	ALAB	173086	C/H	C113	4740	02/69		ALAB	9062
1	ALAB	173128	C/H	C113	4740	02/69		ALAB	9070
1	ALAB	173181	C/H	C113	4740	02/69		ALAB	9078
1	ALAB	173281	C/H	C113	4740	02/69		ALAB	9088
1	ALAB	173340	C/H	C113	4740	02/69		ALAB	9097
1	ALAB	173376	C/H	C113	4740	02/69		ALAB	9104
1	ALAB	173408	C/H	C113	4740	02/69		ALAB	9111
1	ALAB	173444	C/H	C113	4740	02/69		ALAB	9118
1	ALAB	173507	C/H	C113	4740	03/69		ALAB	9130
1	ALAB	173563	C/H	C113	4740	03/69		ALAB	9139
1	ALAB	173648	C/H	C113	4740	03/69		ALAB	9152
1	ALAB	173689	C/H	C113	4740	03/69		ALAB	9160
1	ALAB	173735	C/H	C113	4740	03/69		ALAB	9169
1	ALAB	173784	C/H	C113	4740	03/69		ALAB	9175
1	ALAB	173814	C/H	C113	4740	03/69		ALAB	9182
1	ALAB	173873	C/H	C113	4740	03/69		ALAB	9190
1	ALAB	173043	C/H	C113	4740	02/69		ALAB	9053
1	ALAB	173124	C/H	C113	4740	02/69		ALAB	9069
1	ALAB	173266	C/H	C113	4740	02/69		ALAB	9087
1	ALAB	173424	C/H	C113	4740	02/69		ALAB	9116
1	ALAB	173493	C/H	C113	4740	02/69		ALAB	9129
1	ALAB	173590	C/H	C113	4740	02/69		ALAB	9142
1	ALAB	173670	C/H	C113	4740	03/69		ALAB	9159
1	ALAB	173874	C/H	C113	4740	03/69		ALAB	9191
1	ALAB	173038	C/H	C113	4740	02/69		ALAB	9052
1	ALAB	173094	C/H	C113	4740	02/69		ALAB	9064
1	ALAB	173134	C/H	C113	4740	02/69		ALAB	9072
1	ALAB	173183	C/H	C113	4740	02/69		ALAB	9079

Debtor: Pioneer Rail Equipment Co., Ltd.  
Secured Party: Key Equipment Finance

# DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
	1 ALAB	173288	C/H	C113	4740	02/69		ALAB	9089
	1 ALAB	173346	C/H	C113	4740	02/69		ALAB	9098
	1 ALAB	173385	C/H	C113	4740	02/69		ALAB	9106
	1 ALAB	173411	C/H	C113	4740	03/69		ALAB	9112
	1 ALAB	173457	C/H	C113	4740	02/69		ALAB	9120
	1 ALAB	173539	C/H	C113	4740	02/69		ALAB	9133
	1 ALAB	173592	C/H	C113	4740	03/69		ALAB	9144
	1 ALAB	173649	C/H	C113	4740	03/69		ALAB	9153
	1 ALAB	173693	C/H	C113	4740	03/69		ALAB	9161
	1 ALAB	173737	C/H	C113	4740	03/69		ALAB	9170
	1 ALAB	173785	C/H	C113	4740	03/69		ALAB	9176
	1 ALAB	173816	C/H	C113	4740	03/69		ALAB	9183
	1 ALAB	173883	C/H	C113	4740	03/69		ALAB	9192
	1 ALAB	173047	C/H	C113	4740	02/69		ALAB	9055
	1 ALAB	173133	C/H	C113	4740	02/69		ALAB	9071
	1 ALAB	173450	C/H	C113	4740	02/69		ALAB	9119
	1 ALAB	173517	C/H	C113	4740	03/69		ALAB	9131
	1 ALAB	173591	C/H	C113	4740	03/69		ALAB	9143
	1 ALAB	173705	C/H	C113	4740	03/69		ALAB	9164
	1 ALAB	173886	C/H	C113	4740	03/69		ALAB	9193
	1 ALAB	173046	C/H	C113	4740	02/69		ALAB	9054
	1 ALAB	173108	C/H	C113	4740	02/69		ALAB	9065
	1 ALAB	173151	C/H	C113	4740	02/69		ALAB	9074
	1 ALAB	173188	C/H	C113	4740	02/69		ALAB	9080
	1 ALAB	173293	C/H	C113	4740	02/69		ALAB	9090
	1 ALAB	173359	C/H	C113	4740	02/69		ALAB	9100
	1 ALAB	173387	C/H	C113	4740	02/69		ALAB	9107
	1 ALAB	173418	C/H	C113	4740	02/69		ALAB	9113
	1 ALAB	173475	C/H	C113	4740	02/69		ALAB	9121
	1 ALAB	173547	C/H	C113	4740	03/69		ALAB	9135
	1 ALAB	173606	C/H	C113	4740	03/69		ALAB	9145
	1 ALAB	173652	C/H	C113	4740	03/69		ALAB	9154
	1 ALAB	173697	C/H	C113	4740	03/69		ALAB	9162
	1 ALAB	173747	C/H	C113	4740	03/69		ALAB	9171
	1 ALAB	173792	C/H	C113	4740	03/69		ALAB	9177
	1 ALAB	173819	C/H	C113	4740	03/69		ALAB	9184
	1 ALAB	173000	C/H	C113	4740	02/69		ALAB	9045
	1 ALAB	173135	C/H	C113	4740	02/69		ALAB	9073
	1 ALAB	173314	C/H	C113	4740	02/69		ALAB	9094

Debtor: Pioneer Rail Equipment Co., Ltd.  
Secured Party: Key Equipment Finance

# DESCRIPTION OF EQUIPMENT

SHEET	CAR	CAR NO	TYPE	MECH	CUBIC	YR	REBUILT	NEW CAR	CAR NO.
1/2	INIT			CODE	FT	BUILT		INIT	
1	ALAB	173531	C/H	C113	4740	03/69		ALAB	9132
1	ALAB	173623	C/H	C113	4740	03/69		ALAB	9147
1	ALAB	173730	C/H	C113	4740	03/69		ALAB	9168
1	ALAB	173709	C/H	C113	4740	03/69		ALAB	9165
1	ALAB	173052	C/H	C113	4740	02/69		ALAB	9056
1	ALAB	173109	C/H	C113	4740	02/69		ALAB	9066
1	ALAB	173152	C/H	C113	4740	02/69		ALAB	9075
1	ALAB	173197	C/H	C113	4740	02/69		ALAB	9081
1	ALAB	173299	C/H	C113	4740	02/69		ALAB	9092
1	ALAB	173363	C/H	C113	4740	02/69		ALAB	9101
1	ALAB	173394	C/H	C113	4740	02/69		ALAB	9108
1	ALAB	173421	C/H	C113	4740	02/69		ALAB	9114
1	ALAB	173481	C/H	C113	4740	02/69		ALAB	9124
1	ALAB	173550	C/H	C113	4740	02/69		ALAB	9136
1	ALAB	173617	C/H	C113	4740	03/69		ALAB	9146
1	ALAB	173660	C/H	C113	4740	03/69		ALAB	9156
1	ALAB	173699	C/H	C113	4740	03/69		ALAB	9163
1	ALAB	173748	C/H	C113	4740	03/69		ALAB	9172
1	ALAB	173795	C/H	C113	4740	03/69		ALAB	9179
1	ALAB	173845	C/H	C113	4740	03/69		ALAB	9187
1	ALAB	173017	C/H	C113	4740	02/69		ALAB	9048
1	ALAB	173079	C/H	C113	4740	02/69		ALAB	9060
1	ALAB	173201	C/H	C113	4740	02/69		ALAB	9082
1	ALAB	173325	C/H	C113	4740	02/69		ALAB	9095
1	ALAB	173480	C/H	C113	4740	02/69		ALAB	9123
1	ALAB	173542	C/H	C113	4740	03/69		ALAB	9134
1	ALAB	173643	C/H	C113	4740	03/69		ALAB	9149
1	ALAB	173794	C/H	C113	4740	03/69		ALAB	9178
1	ALAB	173889	C/H	C113	4740	03/69		ALAB	9194
2	ALAB	10290	BOX	A331	5100	1/65			
2	ALAB	32625	BOX	R410	4684	12/65			
2	ALAB	32633	BOX	R410	4684	12/65			
2	ALAB	32646	BOX	R410	4684	12/65			
2	ALAB	32660	BOX	R410	4684	12/65			
2	ALAB	32661	BOX	R410	4684	12/65			
2	ALAB	32668	BOX	R410	4684	12/65			
2	ALAB	32669	BOX	R410	4684	12/65			
2	ALAB	32671	BOX	R410	4684	12/65			
2	ALAB	32672	BOX	R410	4684	12/65			
2	ALAB	32681	BOX	R410	4684	12/65			
2	ALAB	32684	BOX	R410	4684	12/65			

Debtor: Pioneer Rail Equipment Co., Ltd.

Secured Party: Key Equipment Finance

DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
	2 ALAB	32689	BOX	R410	4684	12/65			
	2 ALAB	32698	BOX	R410	4684	12/65			
	2 ALAB	32700	BOX	R410	4684	12/65			
	2 ALAB	32704	BOX	R410	4600	12/68			
	2 ALAB	32707	BOX	R410	4961	12/68			
	2 ALAB	32708	BOX	R410	4961	12/68			
	2 ALAB	32710	BOX	R410	4961	12/68			
	2 ALAB	32717	BOX	R410	4961	12/68			
	2 ALAB	32726	BOX	R410	4961	12/68			
	2 ALAB	32727	BOX	R410	4961	12/68			
	2 ALAB	32730	BOX	R410	4961	12/68			
	2 ALAB	32739	BOX	R410	4961	12/68			
	2 ALAB	32751	BOX	R410	4961	12/68			
	2 ALAB	32754	BOX	R410	4961	12/68			
	2 ALAB	32755	BOX	R410	4961	12/68			
	2 ALAB	32768	BOX	R410	4903	12/68			
	2 ALAB	32771	BOX	R313	4903	12/68			
	2 ALAB	33022	BOX	R410	4604	01/65			
	2 ALAB	33024	BOX	R410	4604	09/65		PREX	33024
	2 ALAB	88	BOX	R410	5100	02/66			
	2 ALAB	10116	BOX	A335	5000	03/67			
	2 ALAB	33040	BOX	R400	4604	10/65			
	2 ALAB	150132	BOX	A432	5000	06/69			

Debtor: Pioneer Rail Equipment Co., Ltd.

Secured Party: Key Equipment Finance

DESCRIPTION OF EQUIPMENT

SHEET	CAR			MECH	CUBIC	YR		NEW CAR	
1/2	INIT	CAR NO	TYPE	CODE	FT	BUILT	REBUILT	INIT	CAR NO.
2	ALAB	61065	BOX	A405	4734	08/69			
2	ALAB	63149	BOX	A407	5009	04/68			
2	ALAB	252752	BOX	B424	4655	04/72		FSR	63149
2	ALAB	253020	BOX	B434	4957	02/73			
2	ALAB	253325	BOX	B434	4948	05/74			
2	ALAB	253577	BOX	A405	4948	04/76			
2	ALAB	253633	BOX	A405	4948	04/76			
2	ALAB	254055	BOX	A432	4960	02/68			
2	ALAB	254259	BOX	A402	4960	11/69			
2	ALAB	254264	BOX	A332	4960	12/69			
2	ALAB	255733	BOX	A407	4900	10/67			
2	ALAB	365420	BOX	A407	4982	05/71		FSR	365420
2	ALAB	365598	BOX	A407	4954	08/71		FSR	365598
2	ALAB	365729	BOX	A407	4954	09/71		FSR	365729
2	ALAB	366622	BOX	A402	4950	03/72			
2	ALAB	366627	BOX	A402	4950	03/72			
2	ALAB	366895	BOX	A402	5090	09/74			
2	ALAB	243471	BOX	A403	5073	10/73			
2	ALAB	245394	BOX	A403	5283	08/74			
2	ALAB	697242	BOX	A400	4865	01/73			
2	ALAB	57657	BOX	R400	4960	10/66			
2	ALAB	169860	BOX	B437	5557	09/71			
2	ALAB	172170	BOX	B437	5053	03/65			
2	ALAB	172445	BOX	B437	5053	03/65	78		
2	ALAB	173053	BOX	B437	5040	02/67	78		
2	ALAB	300325	BOX	A403	5000	11/74			
2	ALAB	390536	BOX	A306	5090	11/75			
2	ALAB	390577	BOX	A306	5090	10/75			
2	ALAB	390643	BOX	A306	5090	10/75			
2	ALAB	390649	BOX	A306	5090	10/75			
2	ALAB	508488	BOX	A432	5277	04/70			
2	ALAB	509384	BOX	A432	4906	10/71		FSR	509384
2	ALAB	509569	BOX	A432	4906	02/71			
2	ALAB	517105	BOX	A432	6051	04/67		ALAB	51710

Debtor: Pioneer Rail Equipment Co., Ltd.

Secured Party: Key Equipment Finance

DESCRIPTION OF EQUIPMENT

SHEET 1/2	CAR INIT	CAR NO	TYPE	MECH CODE	CUBIC FT	YR BUILT	REBUILT	NEW CAR INIT	CAR NO.
2	ALAB	960582	BOX	A403	6045	03/70			
2	ALAB	38155	BOX	A403	5077	10/79		FSR	38155
2	ALAB	32551	BOX	R310	4548	09/63			
2	ALAB	32836	BOX	R410	4450	09/64			
2	ALAB	32871	BOX	R410	4450	09/64			
2	ALAB	32934	BOX	R410	4604	10/64			
2	ALAB	32969	BOX	R410	4604	10/64			
2	ALAB	32976	BOX	R410	4604	11/64			
2	ALAB	492384	BOX	R410	4674	01/64			
2	ALAB	493406	BOX	R410	4591	09/63			
2	ALAB	493436	BOX	R410	4594	11/63			
2	ALAB	493470	BOX	R410	4594	11/63			
2	ALAB	64529	BOX	A446	4570	09/62			
2	ALAB	64542	BOX	A446	4570	09/62			
2	ALAB	64743	BOX	A446	4512	07/60			
2	ALAB	64918	BOX	A446	4445	04/60			
2	ALAB	33239	BOX	R410	4872	06/69		FSR	33239
2	ALAB	60900	BOX	R410	4370	04/65			
2	ALAB	60903	BOX	R410	4370	04/65			
2	ALAB	60991	BOX	R410	4370	04/65			
2	ALAB	786463	BOX	R410	4462	05/69		FSR	786463
2	ALAB	793011	BOX	R610	5598	06/77			
2	ALAB	693398	BOX	R410	4788	12/70			
2	ALAB	693497	BOX	R410	4788	12/70		FSR	693497
2	ALAB	693517	BOX	R410	4788	12/70			
2	ALAB	693957	BOX	R410	4788	01/71		FSR	693957
2	ALAB	699572	BOX	R410	4898	07/75		FSR	699572
2	ALAB	483322	BOX	R610	5394	06/70		92 ALAB	463322
2	ALAB	492750	BOX	R410	4668	08/66			
2	ALAB	492820	BOX	R410	4668	12/65			
2	ALAB	492824	BOX	R410	4668	12/65			
2	ALAB	492923	BOX	R410	4668	02/65			
2	ALAB	492937	BOX	R410	4668	02/65			
2	ALAB	493505	BOX	R410	4594	03/67			
2	ALAB	253421	BOX	A435	4948	05/74		FSR	253421
2	ALAB	721036	BOX	A432	5240	05/73			
2	ALAB	253308	BOX	A435	4948	05/74		FSR	253308
2	ALAB	517571	BOX	A436	6359	11/78			